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Memorandum to the File

Date: December 18, 2002

From: J. Bradley Brown, FDA Economist

Re: Multiple telephone conversations between August 26th and September 9th, 2002 and between November 19th and 20th, 2002, regarding the number of on-farm processors in the U.S.

Between August 26th and September 9th, 2002, I spoke to various experts about on-farm processing. The data about on-farm processing does not exist at the national level. However, most states require on-farm processors to register with a county or state agency. Most of those called worked for a Cooperative Extension Service and were very knowledgeable about the farms in their county and state.

The question I asked each person about the particular commodity they were most familiar with is: What percentage of farms performs some form of on-farm processing?

Keith Behnke, from the Department of Grain Science in Kansas State University, spoke to me about on-farm feed mixing. He stated the numbers of on-farm mixers has gone way down over last ten years because it's become too costly. The number of on-farm mixers that sell to other farmers is very small. He also stated that the only farms that would mix feed on-farm and sell it would be pig farmers. Chicken (broiler) feed is a very large operation and almost all mixing is done off-farm. Dairy farmers all do mixing on-farm but none sell. Beef feed mixing is done primarily in feed lots (co-ops etc).

Tim Herman from Kansas State University, Dept. of Grain Science and Cooperative Extension Service also spoke to me about on-farm feed mixing. He confirmed that the number of on-farm mixers that sell is very small. He studied 2 Kansas counties, Clay (20 pig farms) and Pottawatomie (10 pig farms) and found no on-farms mixers that sold off the farm. He found 3 in all of Kansas that sell feed produced on-farm. He stated that incentives are not right for selling feed produced on-farm – farmers produce feed on farm to avoid contamination or to use their own mix of ingredients – none of these reasons are incentives to have a large enough operation to sell. He estimated it would take a \$250,000 to \$500,000 mill investment before it was reasonable to sell off farm. He stated that probably less than 1% of pig farms mix and sell feed. He estimated that less than 500 farms mix and sell feed and said that he would not be surprised if the number was less than 100 farms.

Dale Eustace from the Kansas State University, Dept. of Grain Science spoke to me about on farm milling. He stated there is no on farm flour milling – the costs are huge. Further, he didn't know of any wheat milling on-farm. He stated that typically entrepreneurs, small business, and specialty shops do the milling for fresh bread. He said if we did have a number, "it's bound to fluctuate" because it's not profitable at the farm level.

Larry Bettiga at the Monterey County Extension Service in California spoke to me about the on-farm processing practices for fruits and vegetables. He stated that vegetables are typically field packed and sold "as is". Any processing is done elsewhere. He also told me that 5 out of about 100 grape growers ferment and bottle their own wine.

Ronda Smith at the Sonoma County Extension Service in California spoke to me about on-farm grape processing. She stated that close to 200 out of nearly 1000 vineyards in the area have their own wineries. She said that nationwide, probably between 10% and 20% of vineyards have their own wineries.

Paul Vossen at the Sonoma and Marin County Extension Service in California talked to me about on farm fruit production in the area. He stated that 11 out of 400 apple growers do some production on farm, including 2 waxers, 5 juicers, and 4 apple cider fermenters. He said the small farm juicing business is *much* smaller since an e.coli scare a few years back. Four or five jams and jellies producers out of 25 berry farms (raspberry, blueberry, and blackberry). Three out of 100 olive growers press their own oil. He told me there were 20 organic "greens" growers who mix and bag their own greens (kale, mustard green, arugala, lettuce, spinach). He also told me there were a handful of fruit "dryers" in the county.

Brian Butler at the Carol County Extension Service in Maryland stated that not many berry farms do processing, they're mostly "pick your own".

Luke Laborde at the Berks County Extension Service in Pennsylvania talked to me about on-farm syrup, honey, and fruit processing. He stated that almost all maple tree farmers boil the sap down before shipping. He also told me that about half of the honey farms bottle their own product. Most fruit growers sell product as is, but about 10% do some form of processing

Arden Hardy at the Jackson County Extension Service in Wisconsin spoke to me about on-farm dairy processing. He stated that although there are 18,000 dairy farmers in Wisconsin, the number of on-farm dairy processors is small.

Tom Leitzke at the Food Safety and Inspection Bureau, Division of Food Safety, Wisconsin Department of Consumer Protection, also talked to me about on-farm dairy processing. He confirmed that the number of on-farm dairy processors is small. He stated that pasteurization is expensive, and there's too much overhead in cheese. There are only 10 farms out of 18,000 in Wisconsin pasteurize, make cheese or yogurt. The percentage is similar for other states, he said.

Carolyn McDowell at the San Saba Extension Service in Texas spoke to me about on-farm nut processing. She said that on farm processing for nuts is typically limited to shelling, but that most shelling is done at a central plant. She sated that very few pecan farms do their own shelling, probably less than 10%.

On November 19th and 20th, I spoke to various experts about on-farm packing and holding. The question I asked them is: How many farms in the U.S. hold or pack goods on-farm for other farmers?